



Senate Committee on
Health and Human Services

ID# 16828
MBJ

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P.O. Box 12068
Austin, Texas 78711
512/463-0360

RO-441

July 27, 1992

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Opinion Committee

The Honorable Dan Morales
Attorney General of Texas
P.O. Box 12548
Austin, Texas 78711

Dear General Morales:

The City of Texas City, a home rule city, has been asked to sponsor a non-profit, no-share corporation under Article 1396.101 et seq., V.A.T.S., to promote the public welfare and prosperity of the citizens of Texas City.

Enclosed is information supplied to the City by the proposed corporation's counsel to support the City's sponsoring the corporation.

The purpose of the corporation will be to provide better services to satisfy the needs of at-risk children, youth and families in order to offer a solution to the cycle of dependency and the threat of an endangered work force, both of which have a direct economic impact on Texas City.

The corporation, on being granted a special tax treatment allowed by Section 103 of the Internal Revenue Code, plans to issue tax exempt instruments of indebtedness to finance the acquisition and renovation of a long-time vacant building that may be leased or otherwise occupied by social, educational and community organizations. It is through this co-location and collaboration of services that the corporation's purpose is to be carried out.

The corporation will lease part of the facility to the University of Texas Medical Branch and provide space for the following organizations: Mainland Youth At Risk, Texas City Independent School District, College of the Mainland, Texas Department of Human Services, Childrens' Protective Services, Texas City Aid and Guidance, Mental Health and Mental Retardation, Galveston County Literacy and local ministerial alliances. Some of these organizations will provide services to non-residents of Texas City.

ACCOMPANIED BY ENCLOSURES --
FILED SEPARATELY



The program is strongly supported by one of the Commissioners of the City of Texas City who will serve as a director or officer of the proposed corporation.

The proposal raises the following questions:

1. (A) Does the City of Texas City have the authority to sponsor a non-profit, no-share corporation for the purpose stated above? (Proposed authorizing resolution and articles of incorporation are enclosed).

(B) If 1(A) is in violation of Article 3, Section 52, of the Texas Constitution, could tax exempt instruments of indebtedness be issued for this purpose by the City of Texas City Industrial Development Corporation whose stated purpose is industrial development? (Bylaws are enclosed).
2. If the organization is incorporated under 1(A) or 1(B), would there be an incompatibility question or a conflict of issue question if a city commissioner of the City of Texas City serves as director or officer for the proposed corporation?
3. If the organization is permissible under 1(A) or 1(B), would there be a legal issue of the corporation's financing a facility allowing for the co-location of service agencies that provide services to some non-residents of Texas City?
4. If 1(A) or 1(B) are not permissible under the Texas Constitution or state law, could this organization's incorporation be legally sponsored by any of the following taxing entities: Galveston County, College of the Mainland, Texas City Independent School District and LaMarque Independent School District or the State of Texas? If the answer is affirmative, could the proposed corporation receive the same exceptions for tax purposes under Section 103, I.R.S. Code, or similar section and have authority to issue non-taxable bonds?

Attorney General Dan Morales, July 27, 1992
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If you have any questions, you can contact Ms. S. Lee Wingate,
City Attorney for the City of Texas City at (409) 948-3111.

Your assistance in this matter is greatly appreciated.

Respectfully,

A handwritten signature in cursive script, appearing to read "Chet Brooks".

Chet Brooks
Chairman

CB:pbnh
Enclosures

cc: Ms. S. Lee Wingate